

ORIGINAL

DIVISION OF CONSUMER ADVOCACY  
Department of Commerce and  
Consumer Affairs  
335 Merchant Street, Room 326  
Honolulu, Hawaii 96813  
Telephone: (808) 586-2800

PUBLIC UTILITIES  
COMMISSION

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FILED

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
 )  
PUBLIC UTILITIES COMMISSION )  
 )  
Instituting a Proceeding to Investigate the )  
Implementation of Feed-in Tariffs. )

DOCKET NO. 2008-0273

**DIVISION OF CONSUMER ADVOCACY'S**  
**COMMENTS ON THE HECO COMPANIES' MARCH 31, 2010 FILING**

The Division of Consumer Advocacy ("Consumer Advocate") hereby submits the following comments on the HECO Companies'<sup>1</sup> March 31, 2010 filing as allowed by the Commission in its March 22, 2010 advice to the parties in the instant proceeding.<sup>2</sup>

**I. BRIEF PROCEDURAL HISTORY.**

On February 8, 2010, the HECO Companies filed its report on its "Proposed FIT Reliability Standards for the Hawaiian Electric Companies," ("HECO Companies' Report") as directed by the Commission in its Decision and Order

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<sup>1</sup> The HECO Companies include Hawaiian Electric Company, Inc., Maui Electric Company Limited, and Hawaii Electric Light Company, Inc.

<sup>2</sup> On March 22, 2010, the Commission advised the parties in the instant proceeding that it would allow parties to submit comments on the HECO Companies' March 31, 2010 filing no later than April 8, 2010.

filed September 25, 2009. As part of the report, the HECO Companies recommended the formation of the Reliability Standards Working Group ("Working Group").

On February 19, 2010, the Commission directed the HECO Companies among other things to further elaborate on their proposal to convene the Working Group.

On February 26, 2010, the HECO Companies responded to the Commission, which included their "Proposed Conceptual Framework for Reliability Standards Working Group" ("Working Group Framework").

On March 15, 2010, the parties filed comments to HECO's proposed Working Group.

On March 23, 2010, the parties filed comments to the Reliability Standards filed on February 8, 2010.

On March 31, 2010, the HECO Companies filed its comments related to the establishment of a Working Group.

## **II. COMMENTS.**

As discussed in its March 15 and March 23, 2010 comments, the Consumer Advocate supports the formation of the Working Group as it will "hopefully result in a more transparent process that will: (1) provide an independent evaluation of the current state of the HECO Companies' electric system and determine the amounts of renewable energy that can be incorporated onto the HECO Companies' existing systems and the impacts, if any, to system reliability; and (2) provide an independent assessment and evaluation of the different reliability standards proposed . . . [by the other parties in the

proceeding (i.e., Blue Planet and Clean Energy Maui and Zero Emissions, jointly)] to determine a reasonable manner in which to proceed."

Further, in its March 15, 2010 comments, the Consumer Advocate recognized that:

. . . such details [of the Working Group] may be better left for discussion once the Working Group is established as there are various questions such as: 1) whether the scope of the technical studies as set forth by the HECO Companies will provide sufficient information to assess whether the reliability standards recommended by Blue Planet and Clean Energy Maui and Zero Emissions can be established in Hawaii; 2) what the costs associated with the Working Group will be; 3) from whom the costs should be borne by (e.g., HECO Companies, Public Utilities Commission fee); and 4) the composition (i.e., who should be in the Working Group) of the Working Group.

The Consumer Advocate notes that in the HECO Companies March 31, 2010 filing, the HECO Companies recommended the following general elements to assist in the establishment of the proposed Working Group:

- That the Commission should hire the Independent Facilitator who will guide the process of the Working Group.
- That the Commission direct the parties to submit for the Commission's consideration their recommendations for an Independent Facilitator within two weeks of any Commission order.
- That the Commission should convene the Working Group with initial members to include: the parties to the instant proceeding, the Public Benefits Fund Administrator, and one PV installer each from Maui and Hawaii Island with direct involvement in developing net energy metering projects.

- That such specifics of the Working Group including its process, membership, roles, responsibilities of the Technical Support Group, and scope of the technical studies should be further defined once the Working Group is established with the assistance of the Independent Facilitator.<sup>3</sup>

As these general elements are consistent with the Consumer Advocate's previous comments, the Consumer Advocate continues to support the establishment of the Working Group as described in the HECO Companies' filings. The Consumer Advocate believes that such issues related to identification of the costs and cost recovery can also be discussed upon establishment of the Working Group.

The Consumer Advocate notes that its support of the Working Group is based on the perceived need to provide a process that is both transparent and flexible in order to meet the State's objective to facilitate "the expeditious implementation of the FIT Tariffs"<sup>4</sup> and to address concerns raised by many parties in the instant proceeding regarding the HECO Companies' assessment of their systems.

As discussed, the Consumer Advocate believes that the Working Group appears at this time, to be the only viable means by which to address such a need. Although the Consumer Advocate generally supports the idea of establishing reliability standards (i.e., as discussed in its statement of position filed in Docket No. 2009-0005), the Consumer Advocate has identified several general concerns and issues with the establishment of formal reliability standards (i.e., North American Electric Reliability

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<sup>3</sup> HECO Companies' March 31, 2010 filing, pages 2 and 3.

<sup>4</sup> The Department of Business, Economic Development and Tourism's ("DBEDT") comments filed on March 23, 2010 in the instant proceeding, page 6.

Corporation ("NERC") like standards as proposed by Blue Planet Foundation) at this time such as:

. . . [it] would likely be less flexible, and more rigidly inclined toward absolute in disposition. . .

. . . the development of establishing formal reliability standards may be a lengthy process. . . and would result in indefinitely suspending the ability of developers from participating in FIT based projects.

. . . it may seem reasonable that the responsibilities for each generation entity (e.g., independent power producer, distributed generation developer) be included in the standards developed at this time as it is anticipated that these entities would have significant impact on the electric system. Several questions would need to be answered prior to taking such a direction such as: (1) what are the other parties' thoughts on such an undertaking; (2) would setting such standards for other entities at this time limit their ability to implement new technologies; (3) how would such standards be enforced as only the HECO Companies are currently regulated by the Commission; (4) what are the procedures for establishing such reliability standards (e.g., whether field testing would be put in place to determine the impact of such standards); and (5) what is the process by which to assess costs, reliability and the goal of promoting renewable energy penetration prior to establishing a standard as each factor would need to be balanced and evaluated to determine the impact on ratepayers. Prior to establishing any formal reliability standards for the HECO Companies system, the Consumer Advocate believes that these questions need to be answered.<sup>5</sup>

It is within this context that there is an appreciation for the establishment of a "process" and not so much the establishment of "standards" is acknowledged. It is the "process" that is the necessary component that will allow the ability to consider on a timely basis: (1) the anticipated interconnection of renewable energy resources on a more rapid rate than has been experienced before; and (2) the evolving issues associated with the integration of renewable energy resources. The Consumer Advocate notes that all parties must recognize that we are on the precipice of a

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<sup>5</sup> The Consumer Advocate's comments filed March 23, 2010 in the instant proceeding.

momentous period in the electric industry. It is critical to note that while the movement to renewable energy resources has significant benefits to the State (e.g., sustainability, environment), such a movement is not simple or without issues.

The Consumer Advocate notes that the NERC created an Integrated Variable Generation Task Force ("IVGTF") in response to the anticipated high levels of variable resources (e.g., wind, solar, ocean, and some forms of hydro) planned for North America. As noted by the IVGTF report, "Accommodating High Levels of Variable Generation," dated April 2009:

The electric industry in North America is on the brink of one of the most dynamic periods in its history. The ongoing efforts brought together by this report have the potential to fundamentally change the way the system is planned, operated, and used - from the grid operator to the average residential customer. Maintaining the reliability of the bulk power system during this transition will be critical measure of success as these efforts progress.

A recent report by the National Renewable Energy Laboratory ("NREL") has identified issues with increasing penetration levels of inverter-based distribution energy resources ("DER") on utility distribution systems. The NREL report, "Understanding Fault Characteristics of Inverter-Based Distributed Energy Resources," dated January 2010 noted that:

Currently, inverter-based DER provides insignificant or minimal contribution to the power balance on most utility distribution systems. A significant increase in DER is expected to come on-line in the near future. As the penetration level of DER increases, the effect of DER **may no longer be considered minimal.** [emphasis added]

By noting the above, it is the Consumer Advocate's intention to emphasize the importance of establishing a "process" by which such issues can be addressed considering the current dynamic and revolutionary period of the electric industry.

It is anticipated that the Working Group can be set up with the assistance of the Independent Facilitator to be the "process" to address such issues on a timely basis to: (1) provide a transparent means by which to assess the applicable state of the HECO Companies' systems; (2) determine the amounts of renewable energy that can be incorporated on to the HECO Companies' systems and the impacts, if any, to the systems' reliability; and (3) provide recommendations that may allow the incorporation of even greater levels of renewable energy resources. Furthermore, the Working Group can be the means by which discussions can take place to answer the questions, identified above, to determine whether establishing formal reliability standards is reasonable.

Based on the above, as it is foreseen that with the significant amounts of renewable energy that will be integrated into the HECO Companies' systems to not only meet the mandates of the Renewable Portfolio Standards but the State's Clean Energy objectives, there will be issues that will need to be addressed on a continual basis. It must be recognized that there is a need to proceed in a manner that is open-minded to allow for discussion with the understanding that we must also proceed responsibly to work toward the goal of the clean energy future. The participating parties should retain a "contributory" and "open" mindset to focus on developing solutions to allow an open and transparent process through which reliability issues for both current and future expectations can be analyzed.

The Consumer Advocate recognizes that the establishment of the Working Group is only the first step as there will be need for continued discussions to not only address the details of the Working Group but to vet out future issues that will arise

(e.g., inputs and results of any studies conducted by the technical group) in order to work together to reach the goals of incorporating more renewable energy while still retaining an acceptable level of reliability at reasonable rates. The Working Group should be the process in which to assess reliability issues that may be incorporated into any integrated resource planning/clean energy scenario planning process established in Docket No. 2009-0108 to allow for an assessment of costs, reliability and the goal of promoting renewable energy penetration.

DATED: Honolulu, Hawaii, April 8, 2010.

Respectfully submitted,

By   
DEAN NISHINA  
Executive Director

DIVISION OF CONSUMER ADVOCACY



**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S COMMENTS ON THE HECO COMPANIES' MARCH 31, 2010 FILING** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

DEAN MATSUURA  
MANAGER  
REGULATORY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. Box 2750  
Honolulu, HI 96840-0001

.1 copy  
by hand delivery

JAY IGNACIO  
PRESIDENT  
HAWAII ELECTRIC LIGHT COMPANY, INC.  
P. O. Box 1027  
Hilo, HI 96721-1027

1 copy  
by U.S. Mail

EDWARD L. REINHARDT  
PRESIDENT  
MAUI ELECTRIC COMPANY, LTD.  
P. O. Box 398  
Kahului, HI 96732

1 copy  
by U.S. Mail

THOMAS W. WILLIAMS, JR., ESQ.  
PETER Y. KIKUTA, ESQ.  
DAMON L. SCHMIDT, ESQ.  
GOODSILL, ANDERSON QUINN & STIFEL  
Alii Place, Suite 1800  
1099 Alakea Street  
Honolulu, Hawaii 96813

1 copy  
by hand delivery

Co-Counsel for HECO, HELCO, and MECO

ROD S. AOKI, ESQ.  
Attorney-at-Law, a Law Corporation  
500 Ala Moana Boulevard, Suite 7-400  
Honolulu, Hawaii 96813

1 copy  
by U.S. Mail

Co-Counsel for HECO, HELCO, and MECO

MARK J. BENNETT, ESQ.  
DEBORAH DAY EMERSON, ESQ.  
GREGG J. KINKLEY, ESQ.  
DEPARTMENT OF THE ATTORNEY GENERAL  
425 Queen Street  
Honolulu, Hawaii 96813

1 copy  
by hand delivery

Counsel for DBEDT

CARRIE K.S. OKINAGA, ESQ.  
GORDON D. NELSON, ESQ.  
DEPARTMENT OF THE CORPORATION COUNSEL  
CITY AND COUNTY OF HONOLULU  
530 South King Street, Room 110  
Honolulu, Hawaii 96813

1 copy  
by U.S. Mail

LINCOLN S.T. ASHIDA, ESQ.  
WILLIAM V. BRILHANTE JR., ESQ.  
MICHAEL J. UDOVIC, ESQ.  
DEPARTMENT OF THE CORPORATION COUNSEL  
COUNTY OF HAWAII  
101 Aupuni Street, Suite 325  
Hilo, Hawaii 96720

1 copy  
by U.S. Mail

MR. HENRY Q CURTIS  
MS. KAT BRADY  
LIFE OF THE LAND  
76 North King Street, Suite 203  
Honolulu, Hawaii 96817

1 copy  
by U.S. Mail

MR. CARL FREEDMAN  
HAIKU DESIGN & ANALYSIS  
4234 Hana Highway  
Haiku, Hawaii 96708

1 copy  
by U.S. Mail

MR. WARREN S. BOLLMEIER II  
PRESIDENT  
HAWAII RENEWABLE ENERGY ALLIANCE  
46-040 Konane Place, #3816  
Kaneohe, Hawaii 96744

1 copy  
by U.S. Mail

DOUGLAS A. CODIGA, ESQ.  
SCHLACK ITO LOCKWOOD PIPER & ELKIND  
TOPA FINANCIAL CENTER  
745 Fort Street, Suite 1500  
Honolulu, Hawaii 96813

1 copy  
by hand delivery

Counsel for BLUE PLANET FOUNDATION

MR. MARK DUDA  
PRESIDENT  
HAWAII SOLAR ENERGY ASSOCIATION  
P.O. Box 37070  
Honolulu, Hawaii 96837

1 copy  
by U.S. Mail

MR. RILEY SAITO  
THE SOLAR ALLIANCE  
73-1294 Awakea Street  
Kailua-Kona, Hawaii 96740

1 copy  
by U.S. Mail

JOEL K. MATSUNAGA  
HAWAII BIOENERGY, LLC  
737 Bishop Street, Suite 1860  
Pacific Guardian Center, Mauka Tower  
Honolulu, Hawaii 96813

1 copy  
by hand delivery

CAROLINE BELSOM  
VICE PRESIDENT/GENERAL COUNSEL  
KAPALUA LAND COMPANY, LTD,  
A wholly owned subsidiary of  
MAUI LAND & PINEAPPLE COMPANY, INC.  
200 Village Road  
Lahaina, HI 96761

1 copy  
by U.S. Mail

KENT D. MORIHARA, ESQ.  
KRIS N. NAKAGAWA, ESQ.  
SANDRA L. WILHIDE, ESQ.  
MORIHARA LAU & FONG LLP  
841 Bishop Street, Suite 400  
Honolulu, Hawaii 96813

1 copy  
by hand delivery

Counsel for HAWAII BIOENERGY, LLC  
Counsel for MAUI LAND & PINEAPPLE COMPANY, INC.

MR. THEODORE E. ROBERTS  
SEMPRA GENERATION  
101 Ash Street, HQ 12  
San Diego, California 92101

1 copy  
by U.S. Mail

MR. ERIK KVAM  
CHIEF EXECUTIVE OFFICER  
ZERO EMISSIONS LEASING LLC  
2800 Woodlawn Drive, Suite 131  
Honolulu, Hawaii 96822

1 copy  
by U.S. Mail

JOHN N. REI  
SOPOGY INC.  
2660 Waiwai Loop  
Honolulu, Hawaii 96819

1 copy  
by U.S. Mail

GERALD A. SUMIDA, ESQ.  
TIM LUI-KWAN, ESQ.  
NATHAN C. NELSON, ESQ.  
CARLSMITH BALL LLP  
ASB Tower, Suite 2200  
1001 Bishop Street  
Honolulu, Hawaii 96813

1 copy  
by hand delivery

Counsel for HAWAII HOLDINGS, LLC, dba FIRST WIND HAWAII

MR. CHRIS MENTZEL  
CHIEF EXECUTIVE OFFICER  
CLEAN ENERGY MAUI LLC  
619 Kupulau Drive  
Kihei, Hawaii 96753

1 copy  
by U.S. Mail

HARLAN Y. KIMURA, ESQ.  
CENTRAL PACIFIC PLAZA  
220 South King Street, Suite 1660  
Honolulu, Hawaii 96813

1 copy  
by hand delivery

Counsel for TAWHIRI POWER LLC

SANDRA-ANN Y.H. WONG, ESQ.  
ATTORNEY AT LAW, A LAW CORPORATION  
1050 Bishop Street, #514  
Honolulu, HI 96813

1 copy  
by U.S. Mail

Counsel for ALEXANDER & BALDWIN, INC.,  
Through its division, HAWAIIAN COMMERCIAL & SUGAR COMPANY

DATED: Honolulu, Hawaii, April 8, 2010.

  
\_\_\_\_\_